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The Industrial Policies of the Large Political Parties in Germany

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SOcialization and free industry are the outstanding economic issues in present-day Germany. The socialist and communist parties represent the supporters of the principle of socialization, while all other political parties are, in a greater or less measure, opposed to it. Although recognizing the necessity of contributing to meet the increased financial requirements of the Empire by an extension of its activities in the industrial field, all non-socialist parties are in favor of preserving private property and private effort as the foundations of the nation's industrial life. They reject, particularly, any form of industrial organization within which bodies representative of the working people would take a prominent place in the control of production and distribution of commodities.

The main demands of an industrial nature contained in the programs of the large parties are summarized below.

The German Nationalist Party (formerly the Conservative Party) proclaims in its platform that private property, private industry, acquisitiveness and enterprising spirit shall, on principle, remain the foundations of economy. The party favors transformation of private industries into enterprises of coöperative associations, or of the state, or of a municipality, whenever social necessity demands such a course to be followed, and if it is effected in a way affording security to accomplish the purpose in view. Abuses of capitalism are to be fought against. The system of government

control of industries established in war time is to be abolished gradually. Moreover, the platform demands state aid for the middle classes on account of the damages wrought upon them in the war, promotion and protection of national industries, continuation of labor legislation, legal recognition of vocational associations, ample provision for ex-soldiers and pensioned officials, etc. In regulating taxation, due regard is to be had for the principles of social justice and the capacity for payment, and productive work is to be treated with consideration. The possession of colonies is held absolutely necessary for German industry.

The German People's Party (succeeding the National Liberal Party of prewar time) has a rather comprehensive industrial platform, the first plank of which claims for every citizen the right to free development of his powers, adding that everyone's aspirations after gain must be kept within the limits of morals and must not offend against the welfare of co-nationals. The party adheres to the principle of private property and its inheritance within the family in the narrower sense. Property is to be regarded as purely entrusted to the holder and obliging him to productive effort. Private property may be transferred to public bodies on payment of compensation only; the party agrees to it insofar as substantial and permanent advantages to the whole people are guaranteed to result. Preference is given, however, to the system of mixed public and private ownership,

so that, for example, the state may be a shareholder in a private business corporation. This system has been tried already in a considerable number of cases and it proved satisfactory in the majority of them.

As regards the relations between employers and employes, the German People's Party emphatically endorses the methods of conciliation and arbitration as pursued by the *Arbeitsgemeinschaften*—the joint committees of trade unions and employers' associations instituted during the war for the purpose of avoiding stoppages of work and retained after the armistice. The *Arbeitsgemeinschaften* are supported by the moderate trade-union leaders but fiercely opposed by the radical labor men advocating unrestricted class struggle. The platform of the German People's Party says that "vocational representation of all productive labor, culminating in the Imperial Industrial Council, shall be established on the basis of free and unprejudiced coöperation between employers and their workpeople." This plank of the platform has been realized already by the enactment of the law concerning the establishment of works councils (to be dealt with later in this article).

The German People's Party rejects what is called socialization of professional occupations, such as physicians, pharmacists, lawyers, engineers, authors, etc., which means their exclusive employment by state or municipal authorities.

A prosperous condition of agriculture and a strong and self-conscious farming class the party recognizes as the foundations of the German people's efficiency. All branches of agriculture, and particularly cattle-breeding, are to be fostered so as to make Germany's food supply independent from foreign imports. Trade with the world's mar-

ket must not be allowed to endanger domestic agriculture. It must be guarded, as far as necessary, against foreign competition by protective tariffs.

The party favors a healthy combination of large, medium-sized and small agricultural holdings, but an increase in the number of small farms should be attained by providing opportunities for agricultural laborers to become peasant proprietors. Abolition of entailed property is not demanded in general, but in its present form and extension only.

The demands for the promotion of manufacturing industries are establishment of institutions for scientific research and technical schools, amendment of the laws concerning protection of inventions, etc., simplification of the legal requirements for establishment and management of manufacturing enterprises and a commercial policy having due regard to the exigencies of domestic industry.¹ It is one of the planks of the German People's Party that the handicrafts and small trading shops shall be maintained and made efficient by means of organization for supply of goods and raw materials, procuring of credit and other purposes. Municipalization of small business establishments is declined, as is also any encouragement of coöperative societies working to the disfavor of small manufacturers and traders.

Recognizing the high importance of banking, insurance, trade and navigation, the German People's Party strives to assist, with all means, to secure their former position in the world again, and to oppose handicaps of development. Rebuilding of the merchant marine and regaining of

¹ In fact, the German Nationalist Party and the German People's Party were and still are the most influential supporters of the high protective policy continually pursued in this country since 1902.

colonies are considered important tasks. The transfer of state railways into the possession of the Empire, demanded in the party's platform of October, 1919, has been realized in the meantime. Another demand, the promotion of inland navigation, is to be met by the construction of some important systems of canals, viz., the Midland Canal, connecting the cities of Hanover and Magdeburg; the Rhine-Main-Danube Canal; and the Rhine-Neckar-Danube Canal. The party is opposed to any unnecessary government measures restricting traffic on inland waterways, and to the levy of duties and charges, except such as are required for meeting the expenses of the Government.

The party stands for the following principles to govern taxation: Taxes shall be levied on income and property, but income derived from work shall be treated more favorably than income from property; the marital condition of the individual taxpayers shall be taken into consideration; taxation tending towards impoverishment of the middle classes shall be avoided; taxes on consumption and traffic shall not be dispensed with; in dealing with legacies, the state shall take the place of distant relatives; illegal practices aiming to evade payment of taxes shall be severely punished. State governments and other administrative bodies shall have such powers in financial matters as are necessary for enabling them to perform their duties, especially those connected with industry and culture.

The German Centrist Party stands for a social order based on private property but it desires private effort subordinated to the common welfare. Among the demands of an industrial nature the following are the more important:

1. Safeguarding of the people's food

by systematical promotion of agricultural production.

2. Reforms of housing conditions and home-colonization.

3. Increase of the number of agricultural small holdings by parcelling out large private estates and domains of the federal states.

4. Protection of the middle classes and the peasantry.

5. Continuation of labor legislation.

6. Protection against usury and unfair competition in commercial transactions.

The German Democratic Party (up to 1918 Progressive People's Party) opens its industrial platform with the declaration, that "socialization of the means of production in the sense of their general acquisition by the state would be a fatal bureaucratization of industry; a reduction of the production of industry disastrous to the whole people would be threatened. We repudiate this and stand firmly for private control of industry." To insure the welfare of the whole people, the party demands that monopolistic power in the hands of an individual, or a small group, be not tolerated. Hence for land, that most important possession of the people, its policy is to resist speculation and to divide large estates immediately, in order to establish independent peasant families doing their own work. The advance of manufacturing industry and commerce requires that bureaucratic measures and unnecessary regulations must be eliminated. But as the common interest is superior to that of the individual, the state must exercise its supreme power in manufacturing, commerce, banking and insurance, wherever natural monopoly exists and wherever trusts have, in fact, already limited or ended freedom. Experiments which regulate everything according to a single scheme are rejected.

The Erfurt Program of the Social Democratic Party, based on the deadening determinism of Marxian doctrines, is regarded by the majority of its leading members as utterly out of date. Social as well as industrial developments no longer justify the scholastic declarations of its first part while the demands of the second part, with few exceptions, have been realized already; a fact that demonstrates the common sense of these demands. One of the principal tasks of the party convention to be held this autumn will be the framing of a new program. There can be no doubt that the fundamental principles of socialism will be upheld in this new program, that it will demand the emancipation of labor by legal enactment, the abolition of the system of production for profit and the substitution, therefore, of production for use, etc. Among the chief questions to be decided is that concerning the form of socialization: Will social democracy declare in favor of state and municipal ownership and management of the means of production, etc., or will it stand for some other solution of the problem of substituting common for private property?

The Independent Socialist Party likewise aims at the replacement of capitalism by socialism. The principal demands made towards that end are: Transformation of private property into public property; immediate socialization of banking, insurance, mining, power plants, iron and steel works, transportation and commerce and all other highly developed industries. In regard to agriculture, immediate socialization shall be restricted to large estates. The most modern technical appliances, etc., shall be employed in agriculture to insure the largest possible output. The feeding of the people shall be systematically regulated. *Labor shall be made compulsory*

for all actually fit for work. The means for establishing socialist democracy shall be the dictatorship of the proletariat acting through political and industrial councils. Both forms of councils, says the declaration of the party, dated June 26, 1919, "must be based upon the factory and trade. The economic councils system, which is to check up and share in controlling the process of production, and finally to assume responsibility for management, must first be developed. In the present revolutionary epoch, the activity of this organization must not be confined to narrow technical tasks; it must deal with political questions as well. . . . The councils system shall assure self-government to all branches of industry, manufacture, trade and transportation. The organization shall have as its basis the workshop, the smallest productive unit of industrial life. In such shops, the representatives of the workmen shall be elected. This organization of councils includes all the working forces of the people."

The hierarchical organization of the councils system is, in the main points, described as follows: The German Republic forms an industrial unit with a central administration. The country is to be divided into industrial districts (*Wirtschaftsbezirke*) in each of which all those engaged in productive industry will be united. The productive forces are to be classified according to branches of industry, commerce, transportation, and independent trade groups. . . . In each factory a Works Council shall be elected, in which salaried employes and workingmen must be represented. The Works Council takes care of and regulates, together with the management, all affairs of the enterprise. When an enterprise includes several shops or independent divisions, a Shop Council

must be chosen for each shop. These councils unite in the General Works Council which elects from among its members a Supervisory Council (*Aufsichtsrat*) to supervise the management of the entire undertaking. The works councils, local councils, etc., unite within each industrial district to form a district council and elect an executive committee. The District Council supervises and regulates production within the district according to the regulations prescribed by the Trades Group Council (*Reichsgruppenrat*). A trades group council, established for all establishments of a certain group of trades and callings, deals with the kind and amount of production, the procuring and distribution of raw materials, marketing of products, and all questions concerning the group of trades. It may name special commissions to settle questions, and these commissions may be supplemented by experts. The group councils elect from among their members delegates to the National Industrial Council (*Reichswirtschaftsrat*) in which the organizations of consumers are also represented.

It is obvious that a hierarchic industrial structure as indicated by this program of the Independent Socialist Party would be most cumbersome in its working. It would reduce productivity and increase cost. The introduction of improved methods of production and distribution of goods would be retarded, as everything would be dependent on the approval of a number of councils, one subordinated to another. Bureaucracy has as yet never displayed the qualities which are essential to success in industry. Uniformity of system and method is necessary and properly characteristic of government management, but it is the very antithesis of successful industrial activity. The bureaucratic system

tends not only to reduce the interest men take in any task but also, what is worst of all, to impair their feeling of responsibility. It is an illusion to expect that a bureaucracy appointed by the working people to run industry on the basis of a councils system as outlined above would be highly efficient and not similar in behavior to the bureaucracy we know.

The past Coalition Government, consisting of representatives of the Social Democratic, the Democratic and Centrist Parties, realized the dangers that were to follow from the establishment of industrial councils having very far-reaching powers in regard to industrial administration. On the other hand, they recognized the fact that it had become unavoidable to afford the workingmen some control over the conditions of their employment. Accordingly, the Works Councils Law of January 18, 1920, was passed, and it may be regarded as a beginning for successful organization of industries. The main provisions of the law are given below: works councils must be elected in all establishments employing as a rule at least twenty workers. In smaller establishments a Works Steward must be appointed. A special works council for outworkers must be set up when twenty or more are employed. In order to guarantee special interests, separate councils for manual and non-manual workers must be set up wherever both classes are employed in an establishment.

Members of the councils are to be elected by direct and secret ballot according to the principles of proportional representation for one year. They shall be eligible for reelection. Provision is made for either a central works council in addition or a joint works council instead of individual works councils when interdependent

establishments are owned by the same firm.

The function of a works council is to help the management to secure efficiency; to protect it from unauthorized interference, and, failing agreement in disputes, to appeal to the conciliation committee or to an arbitration board to be agreed on; to fix or modify, in agreement with the employer, the conditions of service; to promote a good understanding between workers and employer and to maintain the workers' right of forming associations; to take measures to prevent danger to health and accidents; and to coöperate in the administration of pensions, housing or other welfare schemes attached to the establishment.

The Works Council has the right to require the employer to give to the Works Committee information as to all the transactions of the establishment which affect the contract of service and the activity of the workers, and to show the wage books and give other information necessary for carrying out existing collective agreements. The employer must supply a quarterly report on the position and progress of the undertaking and of the industry in general, as well as of the output of the establishment and the expected demand for labor.

Any person who, with intent to deceive the workers, shall give wrong data or conceal correct data in reports on the financial position is liable to imprisonment not exceeding one year and to a fine not exceeding 10,000 marks, or to either of those penalties. Any person disclosing confidential information given to him as a member of a works representative body is liable to a fine of not more than 1,500 marks or to imprisonment.

Provision is made for the laying down of rules concerning the engagement and dismissal of workmen and

salaried employees. The engagement of a worker, etc., must not be conditional on his political, military, religious, or trade-union views, or on his belonging or not belonging to a political, religious, or occupational union or to a military association. The rules must not prescribe that the engagement shall depend on belonging to a particular nationality. The councils have a right of appeal against the engagement or discharge of workers to the competent Conciliation Committee or an arbitration board. Discharge without a statement of the reasons for it is one of the grounds of appeal. If the appeal against dismissal is held to be valid, the employer must either offer reinstatement or give compensation for dismissal. The amount of compensation is fixed at the rate of one-twelfth of the earnings in the last year for each year of service, but should not in all exceed six-twelfths. Should the worker accept reinstatement the employer must pay him his wage or salary for the period between dismissal and reinstatement. Should the worker refuse reemployment he is entitled only to wage or salary for the period between the date of his discharge and the date of the Conciliation Committee's award.

Before giving notice of dismissal to a member of a works representative body, or before transfer of such a worker to another establishment, the employer must obtain the consent of the works representative body.

A National Industrial Council has been established by governmental decree of May 4, 1920; its purpose is to assist in setting up the system of works councils and other representative industrial bodies as provided for by article 165 of the Federal Constitution. The National Industrial Council consists of 326 members nominated by certain interest groups, viz.: Agri-

culture, 68; commercial gardening, 6; manufacturing, 68; commerce, 44; transportation and public enterprises, 34; handicrafts, 36; public officials, 16; industrial experts from certain states, 12; representatives of the National Government, 12; consumers, 30.

The enactment of the Works Councils Law and the establishment of the National Industrial Council are due to the influence the Social Democratic Party exerted on the policy of the Government up to June, 1920. The party was instrumental also in realizing various planks of the Erfurt Program, as, for instance, establishment of a legal maximum working-day not exceeding eight hours; prohibition of the labor of children under fourteen years of age; prohibition of night work, except in trades where it cannot be abolished either on technical reasons or on account of being necessary for public welfare; adoption of a weekly rest of at least thirty-six consecutive hours; prohibition of payment in kind; inspection of all industrial establishments by state officials; equalization of the legal status of the agricultural laborer with that of the workman in manufacturing; abolishment of the master and servant laws; guaranteeing the right of combination; a national system of workpeople's insurance and coöperation of the insured in the administration of the system.

It is, however, uncertain as to whether the demands of the Social Democratic Party relating to socialization are to be realized in the near future, and doubts appear the more justified, because even among the party leaders there is no unanimity as to what constitutes socialization. Up to the recent past, the majority of them were State Socialists pure and simple, but the fact is being more and more recognized that state control of industry does not mean increased well-being of the people as it inevitably leads to a considerable reduction of output and an enormous increase of the cost of production and service. An experiment is soon to be made, apparently, with the socialization of coal-mining and the distribution of coal. The success of this experiment is to decide the question whether control of industry by government departments, or "councils" specially set up for that purpose, are to constitute an important feature of future industrial administration in this country. The political parties forming the *present* coalition government are, without a single exception, in favor of continuing industry on the basis of private property and private effort. The most influential among these parties, the German People's Party, is decisively opposed to any radical change of the present foundations of industry.